The Effect of Bank Mergers on Shareholder Value and Performance

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Abstract:

This paper examines the effect of Japanese bank mergers on shareholder value and bank performance. Considering shareholder value, there are significant differences across banks depending on the expected size of the newly-merged entity: those banks entering into a mega-bank enjoy large and highly statistically significant excess returns, particularly in the run-up to the merger announcement. The expected size of the merged entity is also significant when examining performance ratios. Banks involved in mega-mergers do not necessarily perform better in terms of profitability or other longer term measures of performance, but they tend to have higher liquidity ratios and make fewer loans.

Keywords: merger and acquisitions, event study, bank
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